

Message Text

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ACTION OES-07

INFO OCT-01 AF-10 ARA-10 EA-10 EUR-12 NEA-10 IO-13
ISO-00 ACDA-12 CIAE-00 INR-10 L-03 NSAE-00 EB-08
NRC-05 SOE-02 DODE-00 DOE-15 SS-15 SP-02 CEQ-01
PM-05 NSCE-00 SSO-00 ICAE-00 INRE-00 /151 W
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O 241015Z APR 78
FM AMEMBASSY VIENNA
TO SECSTATE WASHDC IMMEDIATE 6073
INFO AMEMBASSY BELGRADE IMMEDIATE
AMEMBASSY TOKYO IMMEDIATE

C O N F I D E N T I A L SECTION 01 OF 03 VIENNA 03784

USIAEA

DEPT PASS IO/SCT

TOKYO FOR DEPUTY ASSISTANT SECRETARY NOSENZO

E.O. 11652: GDS
TAGS: ENRG, MNUC, TECH, YO
SUBJECT: KRSKO NUCLEAR FUEL NEGOTIATIONS
REFS: (A) STATE 101299, (B) BELGRAGE 2966 AND 3033

1. SUMMARY: BETTAUER AND KLJUN, ACCOMPANIED
RESPECTIVELY BY MISOFFS LEAHY AND SRECKOVIC, MET FOR
TWO HOURS AFTERNOON OF APRIL 21. INSTRUCTIONS IN
REFTEL (A) WERE CARRIED OUT, AND SEVERAL RELATED
MATTERS WERE ALSO DISCUSSED. KLJUN INDICATED U.S.
AND G.O.Y. WERE VERY CLOSE ON BASIS OF CURRENT
TEXTS, BUT NONETHELESS REQUESTED USG TO CHECK OUT
ONE NEW OPTION AND RESPOND TO HIM IN BELGRADE BY
APRIL 25 IF POSSIBLE. END SUMMARY.

2. TO FACILITATE DISCUSSION, WE PROVIDED KLJUN
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WITH COPIES OF TEXTS OF PROPOSED LETTERS (STATE
49263 AS MODIFIED BY STATE 52495) AND YUGOSLAV
PROPOSALS (REFTEL (B)). WE PROVIDED AND EXPLAINED
USG MODIFICATIONS AND TEXTUAL PROPOSALS (REFTEL (A)).
3. TERMINATION PROVISIONS: WE PROVIDED AND
EXPLAINED TEXT IN PARA 3 OF REFTEL (A). WHILE KLJUN
SAID TEXT BASICALLY ACCEPTABLE, HE HAD DIFFICULT TIME

FOLLOWING LANGUAGE OF LAST SENTENCE. WHILE THE ARRANGEMENTS DO IN FACT AFFECT THE TERMS AND CONDITIONS OF U.S. COOPERATION UNDER THE TWO CITED AGREEMENTS BY ADDING NEW NON-PROLIFERATION CONDITIONS, WE EXPLAINED THAT THE KEY CONCERN WAS TO AVOID ANY IMPLICATION THAT THE ARRANGEMENTS MODIFY THE WAY IN WHICH THOSE AGREEMENTS MAY BE TERMINATED. KLJUN WAS READY TO INCORPORATE THIS THOUGHT, BUT ARGUED IT SHOULD BE DONE MORE CLEARLY.

4. RENEGOTIATION: WE MADE POINTS IN PARA 4 OF REFTEL (A). KLJUN SAID IT COULD BE DIFFICULT FOR HIM TO EXPLAIN THAT IMMEDIATELY UPON CONCLUDING THESE ARRANGEMENTS WE WOULD SEEK FURTHER NEGOTIATION OF ADDITIONAL CONDITIONS, BUT IN RESPONSE TO OUR ARGUMENTS HE ACCEPTED NEED TO DELETE WORDS "IF THE NECESSITY ARISES". HE REQUESTED THAT WE MODIFY CLAUSES IN YUGOSLAV NOTE AND U.S. NOTE TO READ, RESPECTIVELY, "...YUGOSLAVIA IS READY TO CONTINUE NEGOTIATIONS ON PROBLEMS CONCERNING THE DISPOSITION OF FUEL IRRADIATED..." AND "...YUGOSLAVIA IS PREPARED TO CONTINUE NEGOTIATIONS ON PROBLEMS CONCERNING DISPOSITION OF FUEL IRRADIATED...". WE SAID WE THOUGHT INSERTION OF REFERENCE TO "PROBLEMS" WOULD CAUSE NO DIFFICULTY. ON THIS BASIS, KLJUN BELIEVED TEXT WOULD BE ACCEPTABLE TO G.O.Y.
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5. SALE OF MATERIAL OBTAINED FROM REPROCESSING: WE PROVIDED TEXT IN PARA 5 OF REFTEL (A). KLJUN STILL ARGUED USG SHOULD BE READY TO AGREE TO BUY BACK KRSKO SPENT FUEL, OR IF NOT THAT, AT LEAST ANY SEPARATED PLUTONIUM RESULTING FROM REPROCESSING OF SUCH SPENT FUEL, BECAUSE THIS WOULD APPEAR TO BE COMMERCIAL ARRANGEMENT AND ELIMINATE NEED FOR SUBSEQUENT USG CONSENT RIGHT. WE TOLD KLJUN THESE OPTIONS WERE NOT POSSIBLE. ON THAT BASIS, HE BELIEVED THE TEXT WE PROVIDED WOULD PROVE ACCEPTABLE TO G.O.Y.

6. NON-DISCRIMINATION: WE PROVIDED TEXT IN PARA 6 OF REFTEL (A). IN DISCUSSION WE EXPLAINED THAT THIS TEXT NATURALLY ONLY APPLIED TO FUEL SUBJECT TO THE ARRANGEMENT AND THEY COULD NOT EXPECT TEXT TO BE IDENTICAL TO THAT WE WERE NEGOTIATING WITH IRAN AS IRAN WOULD IN THE NEW AGREEMENT FOR COOPERATION, AGREE TO SIGNIFICANTLY TIGHTER NON-PROLIFERATION CONTROLS. KLJUN HAD PROBLEM WITH WORD "GENERALLY". AFTER EXPLANATION OF NEED FOR RETENTION OF ABILITY

TO DEAL WITH EXCEPTIONS, EMERGENCIES, ETC., KLJUN SUGGESTED WE SUBSTITUTE "IN PRINCIPLE" FOR "GENERALLY". TEXT WOULD THUS READ "... U.S. INTENDS IN PRINCIPLE..." AND "GENERALLY" WOULD BE DELETED. WE SAID THAT THIS WORDING APPEARS TO TAKE CARE OF USG CONCERNS ADEQUATELY, BUT THAT FINAL OKAY FOR SWITCH WOULD HAVE TO COME FROM WASHINGTON. KLJUN SAID HE BELIEVED TEXT SO MODIFIED WOULD BE ACCEPTABLE TO G.O.Y.

7. FORM OF COMMITMENTS: IN ACCORDANCE WITH PARA 7 OF REFTEL (A), WE INDICATED USG FLEXIBILITY SO LONG AS SUBSTANCE REMAINED IDENTICAL. KLJUN SAID HE HAD

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FM AMEMBASSY VIENNA
TO SECSTATE WASHDC IMMEDIATE 6074
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AMEMBASSY TOKYO IMMEDIATE

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NEED TO CONFIRM THIS, BUT THAT G.O.Y. HAD NOT MADE FINAL DECISION ON WHICH FORMAT IT PREFERRED.

8. WE EXPLICITLY MADE SUPPLEMENTARY POINTS CONTAINED PARA 2 OF REFTEL (A).

9. POSSIBLE NEW APPROACH: KLJUN INDICATED THAT IN INTERNAL G.O.Y. DISCUSSIONS SEVERAL IDEAS WERE RAISED AND THAT HE HAD TO CHECK THEM WITH US. (AS INDICATED ABOVE, WE TOLD HIM IDEAS OF US COMMITMENT TO BUY

BACK ALL SPENT FUEL, OR ALL SEPARATE PLUTONIUM IF SUCH FUEL REPROCESSED, NOT VIABLE. FURTHER, KLJUN SAID HE HAD SUGGESTED TO NOSENZO STORAGE IN YUGOSLAVIA UNDER USG CONTROL WITH REGARD TO ANY SUBSEQUENT DISPOSITION BUT THAT NOSENZO HAD REJECTED THIS IDEA; WE THEREFORE TOLD KLJUN IT WOULD BE BETTER
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NOT FURTHER TO CONFUSE MATTERS BY REVERTING TO THIS IDEA, AND HE AGREED.) MAJOR NEW PROPOSAL FROM KLJUN WAS AS FOLLOWS. AFTER INDICATING THAT YUGOSLAVIA INTENDED TO STORE KRSKO SPENT FUEL SUBJECT TO THIS ARRANGEMENT (I.E. U.S. LICENSED) FOR PERIOD OF TIME SUFFICIENT FOR APPROPRIATE SUBSEQUENT DISPOSITION, YUGOSLAVIA WOULD MAKE A DECLARATION THAT IT WOULD NOT REPROCESS AND THAT IT WOULD NOT RETRANSFER THE SPENT FUEL. IT WOULD THEN NOT RPT NOT BE NECESSARY TO LIST ANY ALTERNATIVES FOR SPENT FUEL DISPOSITION AND NO USG CONSENT RIGHT WOULD BE REQUIRED. THIS DECLARATION WOULD BE SUBJECT TO TERMINATION OR CHANGE ONLY: (A) BY OPERATION OF THE NON-DISCRIMINATION CLAUSE(DISCUSSED PARA 6 ABOVE) (THIS WOULD PROTECT G.O.Y. AGAINST BEING DISCRIMINATED AGAINST EITHER AFTER MAJOR CHANGES IN USG POLICY OR ON A MORE PARTICULAR BASIS, E.G., MEXICO); (B) IF AFFECTED BY THE TERMS OF A NEW INTERNATIONAL ARRANGEMENT TO WHICH BOTH USG AND G.O.Y. SUBSCRIBE; OR (C) IF BOTH USG AND G.O.Y. AGREE OTHERWISE.

10. KLJUN SAID THIS APPROACH NOT YET CLEARED IN G.O.Y. BUT IT WAS A POSSIBILITY. WE INDICATED SURPRISE AT THIS MAJOR NEW PROPOSAL, INDICATING THAT WE THOUGHT THAT AGREEMENT WAS VIRTUALLY ESTABLISHED ON BASIS OF APPRAOCH IN STATE 49263 AND 52495 AND REFTELS. KLJUN INSISTED THAT WE WERE CLOSE TO AGREEMENT ON TEXTS, BUT THAT IN VIEW OF IMPORTANCE OF THE KRSKO MATTER IT WAS WORTH CHECKING OUT THE NEW APPROACH IF IT SHOWED PROMISE. WE SAID ON SURFACE THE IDEA SEEMED ACCEPTABLE, BUT OF COURSE WE WOULD HAVE TO CHECK WITH WASHINGTON. WE ALSO NOTED THAT TIME MIGHT BE LOST IF WE HAD TO DRAFT
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AND CLEAR NEW APPROACH. KLJUN SAID DRAFTING WOULD, IN HIS VIEW, PROVE EASY IF BOTH SIDES FOUND APPROACH ACCEPTABLE. HE URGED THAT WE PROVIDE USG POSITION

ON NEW APPROACH, AND IF POSSIBLE LANGUAGE REFLECTING IT, TO HIM THROUGH AMEMBASSY BELGRADE BY APRIL 25. WE SAID THAT IN VIEW OF NOSENZO TRAVEL, WE DOUBTED WE COULD REACT THIS QUICKLY.

11. COMMENT: KLJUN INDICATED THAT SEVERAL IDEAS IN REFTELS (B) AS WELL AS IN PARAS 5 AND 9 OF THIS TEL HAD BEEN SUGGESTED IN BELGRADE IN G.O.Y. CLEARANCE PROCESS. KLJUN SAID HE HAD PREDICTED USG REACTIONS, BUT THAT OTHERS HAD PRESSED HIM THAT IT WOULD BE SAFER TO CHECK WITH USG BEFORE SEEKING FINAL G.O.Y. APPROVAL. IT APPEARED TO US THAT KLJUN HAD PREDICTED WE WOULD ACCEPT POINTS IN REFTEL (B). IT FURTHER APPEARS KLJUN HAD PREDICTED WE WOULD REJECT USG COMMITMENT TO BUY BACK SPENT FUEL OR PLUTONIUM. IT IS UNCLEAR WHAT THE SITUATION IS WITH RESPECT TO THE NEW APPROACH DISCUSSED PARAS 9 AND 10. KLJUN MAY HAVE EXPECTED A QUICK USG REJECTION SO THAT WE COULD COMPLETE ARRANGEMENT ALONG LINES WE WERE WORKING ON, OR HE MAY BELIEVE THAT THE NEW APPROACH HAS REAL PROMISE. FURTHER, WE DO NOT KNOW WHY RECEIVING A RESPONSE BY APRIL 25 SEEMED SO IMPORTANT TO KLJUN. PERHAPS AMEMBASSY BELGRADE CAN SHED SOME LIGHT ON THESE MATTERS. WE ALSO NOTE THAT KLJUN STATED INTENTION OF G.O.Y. TO PROVIDE USG THROUGH EMBASSY BELGRADE WITH CLEAR TEXT OF THE THREE DOCUMENTS UNDER NEGOTIATION, INCORPORATING THE CHANGES THAT HAVE BEEN AGREED. IN THE G.O.Y. LETTER TO THE IAEA, THEY INTEND TO ADD AN OPENING PARA ON NPT, ETC., SIMILAR TO THAT IN THEIR 1977 LETTER. KLJUN SAID IT WAS POSSIBLE NEGOTIATION COULD BE COMPLETED WITHOUT ANOTHER NOSENZO TRIP; WE TOLD HIM NOSENZO WOULD BE AVAILABLE WEEK OF MAY 1 IF REQUIRED. CONFIDENTIAL

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12. AS A RELATED MATTER, WE INDICATED TO KLJUN OUR EXPECTATION THAT UPON SATISFACTORY COMPLETION

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TO SECSTATE WASHDC IMMEDIATE 6075

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OF THE KRSKO ARRANGEMENTS, G.O.Y. WOULD NOT OBJECT TO THE PROPOSED SECOND AMENDEMENT TO THE US-IAEA AGREEMENT FOR COOPERATION (GOV/1879). KLJUN SAID G.O.Y. COULD NOT "OBJECT" BECAUSE IT WAS NOT ON THE BOARD OF GOVERNORS, BUT THAT G.O.Y. CERTAINLY WAS NOT HAPPY WITH THE AMENDMENT AND WOULD SAY SO. THIS APPEARED TO PROMISE CONTINUED LOBBYING AGAINST THE AMENDMENT. KLJUN SAID THAT DESPITE APPARENTLY PROSPECTIVE NATURE OF THE AMENDMENT, ARTICLE VIII OF THE YUGOSLAV SUPPLY AGREEMENT (IN INFCIRC/213) MAKES US SUPPLY TO KRSKO SUBJECT TO THE US-IAEA COOPERATION AGREEMENT "AS IT MAY BE AMENDED". G.O.Y. THUS FEARED AMENDMENT WOULD RESULT IN USG ARGUMENT THAT WHOLE SERIES OF ADDITIONAL CONTROLS AUTOMATICALLY APPLY. (KLJUN IN FACT SAID FEELING ON THIS WAS SO STRONG THAT CONFIDENTIAL

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WITCH HUNT WAS UNDER WAY TO FIND WHO IN G.O.Y. AGREED TO ACCEPT "AS IT MAY BE AMENDED" LANGUAGE.). KLJUN THUS URGED US NOT TO PRESS GOV/1879. WE SAID THAT WHILE NO DECISION HAD YET BEEN MADE WHETHER TO PUT IT BEFORE THE JUNE BOARD FOR APPROVAL, WE COULD NOT DROP OR EVEN APPEAR TO LESSEN OUR EFFORTS TO OBTAIN THIS AMENDMENT IN VIEW OF REQUIREMENTS OF NON-PROLIFERATION ACT.

13. FINALLY, AS SEPARATE MATTER, KLJUN RAISED ISSUE OF RESEARCH REACTOR FUEL (SEE VIENNA 3087 AND

PARA 8 OF BELGRADE 2966). HE SAID THIS FUEL IS
NEEDED AND G.O.Y. WOULD BE READY TO SEND EXPERT TO
VIENNA TO EXPLAIN TECHNICAL/ECONOMIC JUSTIFICATION
PER USG HEU POLICY. HE ASKED US MISSION TO TELL
G.O.Y. MISSION WHAT WAS NECESSARY. WE SAID
MISSION WOULD INQUIRE. THEN SRECKOVIC POINTED
OUT THAT NEW AGREEMENT WOULD BE REQUIRED. WE USED
THIS AS OPPORTUNITY TO INDICATE HOW USEFUL COMPLETION
OF AMENDMENT OF US-IAEA COOPERATION IN PASSING
AGREEMENT WOULD BE, FOR IT WOULD GOVERN PROVISIONS
TO BE INCLUDED IN A NEW SUPPLY ARRANGEMENT.
KLJUN'S SENSE OF URGENCY VISIBLY SLACKENED. KIRK

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